

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1842 - SB 1801

February 16, 2020

SUMMARY OF ORIGINAL BILL: Changes the quarterly date on which all new tire dealers must report to the Department of Revenue (DOR) the number of new tires sold in the preceding quarter.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (013821): Deletes all language after the enacting clause. Extends the tire pre-disposal fee program to include sales of used tires. Adds additional uses for which fee revenue from the program may be used. Requires the Comptroller of the Treasury to conduct an annual audit of the tire pre-disposal program, the result of such to be distributed to the chairs of the appropriate legislative committees within 20 days of the completion of such audit.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Increase State Revenue - \$648,100/FY20-21 and Subsequent Years/
Solid Waste Management Fund**

Increase Local Revenue - \$2,592,600/FY20-21 and Subsequent Years

Assumptions for the bill as amended:

- Adding used tires to the tire pre-disposal program will result in an increase in state and local revenue.
- Pursuant to Tenn. Code Ann. § 67-4-1603, a fee of \$1.35 per tire is imposed upon retailers of new tires.
- Used tires will be subject to the same \$1.35 fee.
- Based on information provided by the Department of Revenue (DOR), in FY18-19, the Department collected approximately \$7,000,000 from this program.
- It is estimated that imposing the fee of \$1.35 will result in additional revenue equal to half of the FY18-19 total, or approximately \$3,500,000 (\$7,000,000 x 50%).

- The number of used tires sold each year is estimated to be approximately 2,592,593 (\$3,500,000 / \$1.35).
- Pursuant to Tenn. Code Ann. § 67-4-1610, of the \$1.35 fee, a tire dealer is authorized to keep \$0.10 per tire, counties are allocated a minimum of \$1.00 per tire, regardless of whether the county has a tire grant contract with the Department of Environment and Conservation, and the remainder of the fee is allocated to the Solid Waste Management Fund.
- Based on such allocations, the \$3,500,000 in additional revenue will be allocated approximately as follows:
 - \$259,259 (2,592,593 x \$0.10) to tire dealers;
 - \$2,592,593 (2,592,593 x \$1.00) to counties; and
 - \$648,148 [2,592,593 x (\$1.35 - \$1.00 - \$.10)] to the Solid Waste Management Fund;

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb